


Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

GLP NT Corporation



(formerly Varitech Investors Corporation)

1996 Annual Report

Corporate Profile

GLP NT Corporation is an equity dividend investment company holding a significant interest in common shares of Great Lakes Power Inc. The return on the common shares of Great Lakes Power Inc. is split into its capital appreciation and dividend components. The company provides dividend income and a capital appreciation component to holders of its Class A shares and capital appreciation potential to the holders of Second Preferred shares issued by a subsidiary of the company.

Great Lakes Power Inc. is a Canadian-based power company which generates and distributes electric energy in northern Ontario and has interests in and operates other power generating facilities in Canada and the United States.

Financial Highlights

thousands	1996	1995
Investment revenue	\$ 14,276	\$ 12,456
Net income	13,732	12,381
Dividends paid	20,840	11,072
Shareholders' interests	128,419	197,826

Note: The company was reorganized on June 30, 1995. As a result, prior years' figures are not directly comparable.

Contents

	Page
Financial Highlights	1
Management Report	2
Consolidated Financial Statements	4
Corporate Information	9

Management Report

Operating Results

Net income for 1996 was \$13.7 million compared with \$12.4 million in the prior year. Dividends paid during the year totalled \$20.8 million versus \$11.1 million in 1995.

The increase in net income is principally due to the gain recorded in 1996 on the disposal of the portfolio to effect the corporate reorganization described below. In 1995, no gains or losses were realized as there were no sales of investments during the year. Dividends paid in 1996 were higher largely as a result of the payment of \$11.5 million in special dividends to the former equity shareholders of the company prior to reorganization.

The company's operating expenses in 1996 were higher than the prior year on account of legal and other expenses incurred in connection with the corporate reorganization described below.

Corporate Structure and Reorganization

The company's original mandate was to invest in a high quality diversified portfolio of preferred shares in order to preserve the capital base of the company and to provide the company's preferred and common shareholders with consistent dividend income to produce above average returns. The Canadian tax reform measures enacted in 1987 increased the annual servicing cost of preferred shares to issuers of preferred shares. As a result, there have been far fewer new issues making it increasingly difficult for the company to purchase preferred shares which satisfied the company's investment guidelines.

In response to these developments, the company was reorganized as an equity dividend investment company holding common shares of Great Lakes Power Inc. ("Great Lakes Power"). The essence of an equity dividend investment company is the segregation of the economic interests in the underlying securities held by the company. The return on the underlying common shares of Great Lakes Power is split into its capital appreciation and dividend components. The company provides dividend income and a capital appreciation component to the holders of Class A shares and capital appreciation potential to the holders of preferred shares of the company's subsidiary, GLP Financial, derived from the common shares of Great Lakes Power. On reorganization, the company purchased 8.5 million common shares of Great Lakes Power for \$20 per share.

Great Lakes Power Inc.

Great Lakes Power is a Canadian-based power company which generates and distributes electric energy in northern Ontario and has interests in and operates other power generating facilities in

Canada and the United States. The company also holds a portfolio of investments which, in combination with its operating assets, helps achieve its financial objectives and enables it to maintain a conservative capital structure.

1995 was a year of continued operating and financial progress for Great Lakes Power. With the opening of the Valerie Falls hydro-electric generating station in north-western Ontario, the company's power production base now consists of 15 generating stations in Canada and the United States with an installed capacity of 610 megawatts and an annual generating potential of 3,468 gigawatt hours. During the year, the company sold a record of 3,884 gigawatt hours of electricity, generating 3,179 gigawatt hours of this power from its own stations.

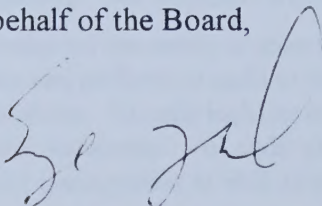
Net income for the year ended December 31, 1995 increased to \$97.1 million compared to \$96.1 million in 1994, as higher income from power generating operations and long-term corporate investments offset higher interest and other expenses. Net income per common share on a fully diluted basis increased to \$1.86 from \$1.81 in 1994. The company's financial performance in 1995, the eighth consecutive year of stable earnings in the \$90 million to \$100 million range, increased its capital base to over \$1.1 billion.

Liquidity and Capital Resources

As a single purpose investment company, GLP NT does not require a large amount of capital to fund its operating expenses. The company does, however, maintain a small amount of cash to fund such expenses from time-to-time.

Class A shareholders have the right to require the company to redeem their shares. However, this does not affect the liquidity of the company as potential redemptions can only be funded from the proceeds of disposition of common shares of Great Lakes Power. Great Lakes Power is listed and publicly traded on The Toronto Stock Exchange.

On behalf of the Board,



George E. Myhal
President

Toronto, Ontario
August 8, 1996

Consolidated Balance Sheet

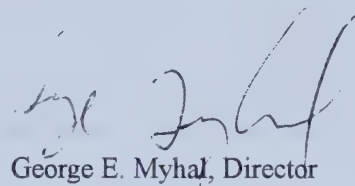
As at March 31

thousands	Note	1996	1995
Cash		\$ 919	\$ 7,302
Investment in Great Lakes Power Inc.	2	170,000	—
Marketable securities	2	—	190,524
		\$170,919	\$197,826
Preferred shares issued by a subsidiary		\$ 42,500	\$ —
Preferred shares	2	—	140,002
Junior participating preferred shares	2	—	40,000
Class A non-voting retractable shares	2,3	127,502	—
Common shares	2,3	1	9,800
Retained income		916	8,024
		\$170,919	\$197,826

On behalf of the Board,



Howard Driman, Director



George E. Myhal, Director

Auditors' Report

To the Shareholders of GLP NT Corporation

We have audited the consolidated balance sheets of GLP NT Corporation (formerly Varitech Investors Corporation) as at March 31, 1996 and 1995 and the consolidated statements of income, retained income and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
August 8, 1996

Deloitte & Touche
Chartered Accountants

Consolidated Statement of Income

Years ended March 31

thousands	1996	1995
Revenue		
Investment	\$14,276	\$12,456
Expenses		
Operating	544	75
Net income	\$13,732	\$12,381
Earnings per Class A share	\$0.45	\$ —

Consolidated Statement of Retained Income

Years ended March 31

thousands	1996	1995
Balance, beginning of year	\$ 8,024	\$ 6,715
Net income	13,732	12,381
	21,756	19,096
Dividends paid	20,840	11,072
Balance, end of year	\$ 916	\$ 8,024

Consolidated Statement of Changes in Financial Position

Years ended March 31

thousands	1996	1995
Funds provided by operations	\$ 11,257	\$ 12,381
Funds provided from (used in) investment activities		
Investment in Great Lakes Power Inc.	(170,000)	—
Proceeds from sale of marketable securities	193,000	5,740
	23,000	5,740
Funds provided from (used in) financing activities		
Issuance of shares:		
Class A non-voting	127,502	—
Preferred shares issued by a subsidiary	42,500	—
Redemption of shares:		
Junior participating	(40,000)	—
Preferred	(140,002)	—
Common	(9,800)	—
Dividends paid	(20,840)	(11,072)
	(40,640)	(11,072)
Funds provided (used)	(6,383)	7,049
Cash balance, beginning of year	7,302	253
Cash balance, end of year	\$ 919	\$ 7,302

Notes to the Consolidated Financial Statements

1. Basis of Presentation

The company changed its name to GLP NT Corporation from Varitech Investors Corporation pursuant to a reorganization described in note 2. The company's consolidated financial statements include the accounts of wholly-owned subsidiary GLP Financial Corporation.

2. Reorganization

During 1995, the company was reorganized to function as an equity dividend investment company with an investment in 8.5 million common shares of Great Lakes Power Inc. ("Great Lakes Power").

The following transactions were completed to effect this reorganization:

- (a) the sale by the company of marketable securities for net cash proceeds of approximately \$193 million as of June 30, 1995;
- (b) the purchase by the company of \$127.5 million First Preferred shares and nominal common equity of GLP Financial for cash;
- (c) the purchase by GLP Financial of 8.5 million common shares of Great Lakes Power for \$170 million, as of June 30, 1995 for the following consideration:
 - (i) \$127.5 million cash; and
 - (ii) \$42.5 million Second Preferred shares of GLP Financial;
- (d) the amendment of the share conditions of the \$127.5 million of Preferred shares to change the Preferred shares to Class A non-voting retractable shares;
- (e) the redemption of the paid-up capital on the \$40 million of Junior Participating shares for a similar amount of cash;
- (f) the redemption of approximately \$9.8 million of common shares for a similar amount of cash; and
- (g) the payment of a special dividend to the equity shareholders of \$11.5 million.

3. Shareholders' Interests

The authorized share capital consists of an unlimited number of Class A non-voting shares and common shares.

The issued and outstanding share capital consists of:

dollars in thousands		1996	1995
—	Preferred shares, bearing cumulative floating dividends at a rate equal to 65% of prime, retractable at the holder's option at any time (1995 - 5,600,080)	\$ —	\$140,002
—	Junior Participating shares, bearing cumulative fixed dividends equal to \$2.00 per share per annum and exchangeable into a pro-rata share of the assets of the company (1995 - 1,600,000)	—	40,000
17,000,330	Class A non-voting redeemable, retractable shares	127,502	—
80	Common shares (1995 - 80,000)	1	9,800
		\$127,503	\$189,802

The Class A non-voting shares are retractable, at any time, at the option of the holder at a price equal to the net asset value per share on such retraction date (97% of the net asset value per share less \$1.00, if retracted prior to June 30, 2002).

The net asset value per share of the Class A shares on a retraction payment date will be the value of the assets of GLP NT on such date less the liabilities of GLP NT accrued to such date, divided by the number of Class A shares and common shares of GLP NT outstanding at the time. The net asset value per share of Class A shares includes a participation at the rate of 10% of any increase, net of taxes, in the value of the Great Lakes Power shares in excess of \$20.00 per share.

The Class A shares are redeemable at GLP NT's option, in whole or in part, at any time after June 30, 2002, at a price equal to the net asset value of the Class A shares on the relevant date.

4. Other

Income taxes have not been provided primarily on account of dividend income being taxed prior to receipt by the company. Non-capital losses of \$330,000 (1995 - \$13,000), which expire by 2003, are available to reduce such taxable income as may arise in the future.

Securities transactions conducted with affiliates are carried out on normal market terms.

Cash flow from operations differs from net income as a result of gains recognized on the sale of the portfolio.

Certain comparative figures have been reclassified to conform with the current year's presentation.

Corporate Information

Officers and Directors

John P. Barratt
Director

Howard Driman
Director

Brian G. Kenning
Director

George E. Myhal
President and Director

J. Bruce Flatt
Chief Financial Officer

Loretta M. Corso
Corporate Secretary

Registrar and Transfer Agent

Montreal Trust
151 Front Street West, 8th Floor
Toronto, Ontario
M5J 2N1

Auditors

Deloitte & Touche
Chartered Accountants

Legal Counsel

Tory Tory DesLauriers & Binnington

Stock Exchange Listing

The Toronto Stock Exchange

Principal Office

P.O. Box 770, Suite 4440
BCE Place, 181 Bay Street
Toronto, Ontario
M5J 2T3

Symbol

GP

Year End

March 31

Telephone

(416) 865-0430

Fax

(416) 865-1288

